

**Assembly Joint Resolution**

**No. 20**

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**Introduced by Assembly Member John A. Pérez**

May 13, 2013

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Assembly Joint Resolution No. 20—Relative to student loan interest rates.

LEGISLATIVE COUNSEL’S DIGEST

AJR 20, as introduced, John A. Pérez. Federal Direct Stafford Loans: interest rates.

This measure would request that the Congress and the President of the United States enact legislation to maintain the interest rate of 3.4% for Federal Direct Stafford Loans.

Fiscal committee: no.

1 WHEREAS, Just last year, Congress passed, and President  
2 Obama signed, an extension to maintain the interest rate for Federal  
3 Direct Stafford Loans at 3.4 percent through June 30, 2013; and  
4 WHEREAS, On July 1, 2013, unless actions are taken, the  
5 interest rate for Federal Direct Stafford Loans will double from  
6 3.4 percent to 6.8 percent; and  
7 WHEREAS, This higher interest rate level is the same level that  
8 graduate students and unsubsidized loan borrowers pay, which  
9 could limit access to California’s public postsecondary educational  
10 institutions by dissuading students from using loans to help pay  
11 for their postsecondary education; and  
12 WHEREAS, The average student loan borrower graduates with  
13 a debt of \$27,000, and the scheduled interest rate increase for  
14 Federal Direct Stafford Loans would cost almost 10 million

1 borrowers approximately \$1,000 more per year of education over  
2 the life of a loan; and

3 WHEREAS, Raising the interest rate for Federal Direct Stafford  
4 Loans will make it even harder for college graduates facing an  
5 already difficult postgraduation job market to repay their loans;  
6 and

7 WHEREAS, Student loan debt affects Americans of all ages,  
8 as 45 percent of all American families hold outstanding student  
9 loan debt, including 36 percent of families in households headed  
10 by a person 45 to 54 years of age, inclusive, 29 percent of families  
11 in households headed by a person 55 to 64 years of age, inclusive,  
12 and 13.3 percent of families in households headed by a person 65  
13 to 73 years of age, inclusive; and

14 WHEREAS, Student loan debt has a ripple effect on the  
15 economy, as two million more adults 18 to 34 years of age,  
16 inclusive, live in a household headed by their parents; and

17 WHEREAS, Each new household leads to an estimated \$145,000  
18 of economic growth, suggesting that a delay in household formation  
19 could be slowing broader economic growth; and

20 WHEREAS, The Bipartisan Policy Center estimates that Echo  
21 Boomers—those born between 1981 and 1995—will account for  
22 75 percent to 80 percent of owner-occupied home acquisitions by  
23 2020, yet the current homeownership rate for young people is  
24 among the lowest in decades while mortgage interest rates are at  
25 historically low levels; and

26 WHEREAS, Student loan debt also has a significant impact on  
27 retirement, as 62 percent of workers 30 to 39 years of age,  
28 inclusive, 20 percent of whom hold more than \$50,000 in student  
29 loan debt, are projected to have insufficient resources for  
30 retirement; and

31 WHEREAS, According to the Congressional Budget Office,  
32 the federal government makes 36 cents in profit for every dollar  
33 it lends to all student borrowers, and student loans are estimated  
34 to bring in \$34 billion next year alone; and

35 WHEREAS, Higher education loans should be used to subsidize  
36 the cost of higher education, not to be used as a source of profit  
37 for the federal government; and

38 WHEREAS, Federal Direct Stafford Loans have been a critical  
39 component, in addition to other forms of financial aid, for low-  
40 and middle-income students working towards a postsecondary

1 degree, and over two-thirds of student loan borrowers are from  
2 families with annual incomes under \$50,000; now, therefore, be  
3 it

4 *Resolved by the Assembly and the Senate of the State of*  
5 *California, jointly,* That the Legislature respectfully requests that  
6 the Congress and the President of the United States enact legislation  
7 to maintain the interest rate of 3.4 percent for Federal Direct  
8 Stafford Loans; and be it further

9 *Resolved,* That the Chief Clerk of the Assembly transmit copies  
10 of this resolution to the President and Vice President of the United  
11 States, to the Speaker of the United States House of  
12 Representatives, to the Majority Leader of the United States Senate,  
13 and to each Senator and Representative from California in the  
14 Congress of the United States.

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